

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B04

PLR-151532-10

Date:

March 02, 2011

LEGEND

Parent =

Entity 1 =

Distributing =

Controlled =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

LLC 1 =

Sub 9 =

Sub 10 =

Business A =

Business B =

Trade Name =

Date A =

a =

b =

C =

Dear :

This letter responds to your December 13, 2010 request for rulings on certain federal income tax consequences of a proposed transaction. The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Distribution (defined below): (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, (ii) is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)), or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in Distributing or Controlled (see § 355(e) and § 1.355-7).

Summary of Facts

Parent (a foreign corporation) is the parent of a multinational group of corporations engaged in Business A and Business B. Parent wholly owns Entity 1, which is treated as an entity disregarded as separate from Parent for federal income tax purposes. Entity 1 wholly owns Distributing.

Distributing is the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Distributing wholly owns Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, Sub 7 and all of the issued and outstanding common stock of Sub 8. Sub 5 and Sub 6, which are disregarded entities of Distributing for U.S. federal tax purposes, own a and b percent, respectively, of the Sub 8 preferred stock. Distributing also wholly owns LLC 1, which is treated as a disregarded entity for U.S. federal income tax purposes. LLC 1 wholly owns Sub 9, which wholly owns Sub 10.

Financial information has been submitted indicating that Business A conducted by Sub 2 and Business B conducted by Sub 1 each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Parent's management intends to undertake an overall business restructuring to separate its worldwide Business B from its worldwide Business A. The separation is

intended to allow each business line to focus on its core components in an effort to increase the value of each business line and to facilitate future expansion consistent with each business' respective goals. The restructuring is also intended to eliminate certain inherent inefficiencies in the vertical structure of the Parent group. The U.S. Restructuring (defined below) is intended to facilitate the worldwide separation of Parent's Business B from its Business A.

Proposed Transaction

For what are represented to be valid business reasons, Distributing intends to undertake the following steps (the "Proposed Transaction"):

- (i) Distributing formed Controlled on Date A.
 - (ii) Distributing will transfer all of the issued and outstanding stock of Sub 1 and all of the issued and outstanding membership interests in LLC 1 to Controlled in exchange for additional shares of Controlled common stock (the "Contribution").
 - (iii) Distributing will distribute all of the Controlled common stock to Parent (the "Distribution").
- (Steps (i), (ii), and (iii), collectively, the "U.S. Restructuring").
- (iv) Following the U.S. Restructuring, Parent will transfer all of the Controlled stock, along with additional Business B assets that represent the worldwide Business B, to a newly formed foreign entity (Foreign Newco) in exchange for additional shares of Foreign Newco's common stock.
 - (v) Parent will distribute pro rata all of the Foreign Newco stock to Parent's public shareholders (the "External Distribution").

Following the U.S. Restructuring, the Parent group and the Foreign Newco group will have certain continuing relationships (the "Continuing Relationships"). First, Parent and Foreign Newco may share certain limited directors on a temporary or permanent (subject to re-election) basis. The Foreign Newco board of directors will consist of six directors of which no more than two directors will also be board members of either the Parent board of directors or the Distributing board of directors. The remaining four directors of Foreign Newco's board will be independent and unrelated to Parent or any of its affiliates. Second, Distributing will enter into an arrangement (the "Trade Name Arrangement") to allow Controlled to use the Trade Name for c number of years following the Distribution. Under the Trade Name Arrangement, no payments for the use of the Trade Name will be made by either Distributing or Controlled during the term of such arrangement. Third, Distributing and Controlled will continue to share access to capital through their existing credit facilities following the Distribution. However, new

credit facilities for both Distributing and Controlled will replace their existing credit facilities at, or before, the External Distribution.

Representations

The taxpayer makes the following representations regarding the Contribution and the Distribution:

- (a) The indebtedness, if any, owed by Controlled to Distributing after the Distribution will not constitute stock or securities.
- (b) No part of the consideration to be distributed by Distributing in the Distribution will be received by Parent as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
- (c) Each of Distributing and Controlled will treat all members of its respective separate affiliated group (as defined in § 355(b)(3)(B)) as one corporation in determining whether it meets the requirements of § 355(b)(2)(A) regarding the active trade or business requirement.
- (d) The five years of financial information submitted for Business A as conducted by Sub 2 is representative of the business' present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (e) The five years of financial information submitted for Business B as conducted by Sub 1 is representative of the business' present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (f) Following the Distribution, other than the Continuing Relationships, Distributing and Controlled will each continue the active conduct of its business, independently and with its separate employees.
- (g) The Distribution will be carried out for the following corporate business purpose: to facilitate the worldwide separation of Business B from Business A intended to improve the management fit and focus of each business and to eliminate inefficiencies in the vertical structure of the Parent group. The Distribution is motivated, in whole or substantial part, by this corporate business purpose.
- (h) The Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both. See § 355(a)(1)(B).
- (i) Immediately after the transaction (within the meaning of § 355(g)(4)), no person will hold a 50-percent or greater interest in either Distributing or Controlled (within

the meaning of § 355(g)(3)) who did not hold such an interest immediately before the transaction and neither Distributing nor Controlled will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

- (j) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote or 50 percent or more of the total value of shares of all classes of Distributing stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.
- (k) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution or (ii) attributable to distributions on Distributing stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.
- (l) Except for indebtedness created in the ordinary course of business, no intercorporate debt will exist between Distributing (and any of its subsidiaries) and Controlled (and any of its subsidiaries) at the time of, or subsequent to, the Distribution.
- (m) Immediately before the Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to the Controlled stock will be included in income immediately before the Distribution (See § 1.1502-19).
- (n) Except for the Trade Name Arrangement, payments made in connection with all continuing transactions, if any, between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (o) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).
- (p) Each of Distributing, Controlled, and Parent will pay its own expenses, if any,

incurred in connection with the Proposed Transaction.

- (q) The Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).
- (r) Neither Business A conducted by Sub 2 nor control of Sub 2 will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of the Distribution, Sub 2 will have been the principal owner of the goodwill and significant assets of its Business A and will continue to be the principal owner following the Distribution.
- (s) Neither Business B conducted by Sub 1 nor control of Sub 1 will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of the Distribution, Sub 1 will have been the principal owner of the goodwill and significant assets of its Business B and will continue to be the principal owner following the Distribution.
- (t) The total adjusted bases of the assets to be transferred to Controlled by Distributing in the Contribution will equal or exceed the sum of (i) the total liabilities assumed (within the meaning of § 357(d)) by Controlled and (ii) the total amount of any money and the fair market value of any property (within the meaning of § 361(b)) received by Distributing from Controlled and transferred to the shareholders or the creditors of Distributing pursuant to the plan of reorganization.
- (u) Any liabilities assumed (within the meaning of § 357(d)) by Controlled in the Contribution were incurred in the ordinary course of business and are associated with the assets transferred to Controlled in connection with the Contribution.
- (v) The total fair market value of the assets transferred by Distributing to Controlled in the Contribution will exceed the sum of (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled in connection with the exchange, (ii) the amount of any liabilities owed to Controlled by Distributing that are discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing in connection with the exchange. The fair market value of the assets of Controlled will exceed the amount of its liabilities

immediately after the exchange.

- (w) No U.S. real property interest, within the meaning of § 897(c) (determined as of the date of the relevant transfer described in the Proposed Transaction), is transferred, or deemed to be transferred, as part of the Proposed Transaction.

Rulings

Based solely on the information and representations submitted, we rule as follows on the Contribution and the Distribution.

- (1) The Contribution followed by the Distribution will be a reorganization within the meaning of § 368(a)(1)(D). Distributing and Controlled will each be “a party to a reorganization” within the meaning of § 368(b).
- (2) Distributing will recognize no gain or loss on the Contribution (§§ 357(a) and 361(a)).
- (3) Controlled will recognize no gain or loss on the Contribution (§ 1032(a)).
- (4) Controlled’s basis in the Sub 1 stock and the Sub 9 stock received from Distributing in the Contribution will be the same as the basis of such assets in the hands of Distributing immediately before their transfer to Controlled (§ 362(b)).
- (5) Controlled’s holding period in the Sub 1 stock and the Sub 9 stock received from Distributing in the Contribution will include the period during which Distributing held such assets (§ 1223(2)).
- (6) Distributing will recognize no gain or loss on the Distribution (§ 361(c)).
- (7) Parent will recognize no gain or loss (and no amount will be included in its income) on the receipt of Controlled stock in the Distribution (§ 355(a)(1)).
- (8) The aggregate basis of the Distributing stock and the Controlled stock in the hands of Parent immediately after the Distribution will be the same as the aggregate basis of the Distributing stock held by Parent immediately before the Distribution, allocated between the Distributing stock and the Controlled stock in proportion to the fair market values of each in accordance with § 1.358-2(a) (§ 358(a), (b), and (c)).
- (9) Parent’s holding period in the Controlled stock received in the Distribution will include the holding period of the Distributing stock on which the Distribution is made, provided that Parent holds such Distributing stock as a capital asset on the date of the Distribution (§ 1223(1)).

- (10) Distributing and Controlled will allocate their earnings and profits in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33(e)(3).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, this office has not reviewed any information pertaining to and has made no determination regarding:

- (i) Whether the Distribution satisfies the business purpose requirement of § 1.355-2(b);
- (ii) Whether the Distribution is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both;
- (iii) Whether the Distribution and an acquisition or acquisitions are part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii);
- (iv) The federal tax treatment of steps (iv) and (v) of the Proposed Transaction; and
- (v) The federal tax treatment of payments made pursuant to the Trade Name Arrangement between Distributing (and its subsidiaries) and Controlled (and its subsidiaries), including the potential application of § 482.

Procedural Statements

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Lewis K Brickates
Branch Chief, Branch 4
Office of Associate Chief Counsel (Corporate)